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RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 ABUJA 001930

SENSITIVE
SIPDIS

DEPT PASS TO USTR FOR AGAMA AND USTDA FOR FITTS/MARIN
DEPT OF ENERGY FOR CAROLYN HAYLOCK AND GEORGE PERSON
DOC 3317/ITA/OA/BURRESS/3130/USFC/OIO/ANESA/DHARR IS
TREASURY FOR PETERS AND HALL

E.O. 12598: N/A

TAGS: [EPET](#) [ENRG](#) [ECON](#) [PGOV](#) [EAID](#) [PREL](#) [NI](#)

SUBJECT: NIGERIA ORDERS JOINT VENTURES TO PROVIDE NATURAL GAS TO
BOOST POWER SUPPLY

REF: A. ABUJA 1563
[1](#)B. ABUJA 1311

SENSITIVE BUT UNCLASSIFIED - NOT FOR DISTRIBUTION OUTSIDE USG

[1](#)1. (SBU) SUMMARY: Unmet demand for electricity is pushing the Gas Ministry to price and deliver gas to specific power plants, as outlined in the Strategic Plan for the Sustainability of the Power Sector (Refs A and B), to achieve 6,700 average MW by December 2009.

In February 2008, the Federal Executive Council approved the Gas Master Plan which groups the country's gas demand into three categories, namely domestic, industrial, and commercial sectors. On August 21, 2008 the government gave the order to execute mandatory allocations of gas to demand centers, namely power plants and the industrial sector. The order also gave support to the Ministry to advertise for expression of interest in three midstream franchise areas and a pipeline. MOS for Gas is interested in obtaining U.S. expert advice on the domestic allocation scheme and other natural gas policies. Septels will report on the ensuing dialogue between the GON and gas producers on the domestic allocations. END SUMMARY.

[1](#)2. (SBU) In meetings with the Ministry of Energy (Gas), Econoff was told that Nigeria's Federal Executive Council authorized the execution of a domestic gas supply obligation (DGSO) on August 21, 2008 and a letter of notification was sent to Joint Ventures (JVs) by the Honorable Minister of State for Energy (Gas) Emmanuel Olatunde Odusina. The letter outlines the details of obligations which will contractually bind the JVs to deliver specified gas volumes to specific customers. The action item given to the JVs is to prepare implementation plans, an associated budget for the 2009 business plan, and be ready to execute no later than October 15, 2008.

[1](#)3. (SBU) The letter also informs the JVs that gas for power pricing is the same \$0.1/thousand cubic feed (mcf) in 2008 rising to \$1/mcf, plus transmission of \$0.30, by January 2012 (Note: the original approved plan in February 2008 was to reach \$1/mcf by 2010. End note) as well as a payment guarantee letter from the Minister of Finance stating that the Government of Nigeria (GON) has adopted the World Bank's Partial Risk Guarantee (PRG) Scheme to cover the security of revenues for gas supplied to the power sector. Still to be provided by to the JVs from the GON, in concert with oil majors under the Aegis of the Oil Producers Trade Section (OPTS), is the final Gas Sale and Purchase Agreement (GSPA) template. Reftel A describes the gas supply pipeline sources, budgeted through the strategic plan for the power sector.

GAS SUPPLY OBLIGATIONS BY JOINT VENTURE

¶14. (SBU) The Gas Producers Domestic Gas Supply Obligation is measured in Million Standard cubic feet per day of gas (MMScfd) beginning in 2008 and increasing annually to 2013 is as follows:

-- Nigerian AGIP Oil Company: 2008 is 245; by 2013 is 608. Dedicated Power to NAOC Independent Power Producer (IPP), Okpal, Kwale, Delta State; Omoku, NIPP, Rivers State. Shared Power to Delta IV Power Holding Company of Nigeria (PHCN) Power Plant, Delta State; Omotosho PHCN Plant, Ondo State; Kano Power Plant, and up to 163 MMScfd to the industrial sector.

-- Nigerian Petroleum Development Company: 2008 is 45; by 2013 is 120. Dedicated Power to Egbema NIPP in Imo State; Ihovbor (Eyaen) National Integrated Power Project (NIPP), Edo State; and the industrial sector.

-- ELF JV (EPNL JV): 2008 is 217; 2013 is 452. Shared Power to Sapele PHCN Power Plant, Delta State; Geregu PHCN, Kogi State; Rivers IPP, Rivers State; Kano Power Plant; and the industrial sector.

--Mobil Producing Nigeria: 2008 is 459; by 2013 is 915. Dedicated Power to Calabar NIPP, Cross Rivers State. Shared Power to Egbin AES Power Plant, Lagos; Delta IV PHCN Power Plant, Delta State; Sapele PHCN Power Plant, Delta State; Papalanto PHCN Plant, Ogun State; Geregu PHCN Plant, Kogi State; Korean IPP, Abuja; Korean IPP, Kaduna State.

--PAN OCEAN JV: 2008 is 65; by 2013 is 65. Dedicated Power to Egbema NIPP, Imo State; Ihovbor NIPP, Edo State; and industrial sector.

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--Chevron JV (CNL): 2008 is 351; BY 2013 is 805. Dedicated Power to Ihovbor (Eyaen) NIPP, Edo State. Shared Power TO Egbin PHCN, Lagos; Egbin AES Planat, Lagos; Papalanto PHCN, Ogun State; Omotosho PHCN, Ondo State; Korean IPP, Abuja; the industrial sector.

--Shell Petroleum Development Company (SPDC JV): 2008 is 849; 2013 is 1,948. We understand that SPDC JV is expected to provide 849 MMScfd in 2008 up to 1948 MMScfd by 2013. Dedicated Power to Sapele NIPP, Delta State; Gbaran NIPP, Bayelsa State; Afam V, VI, Rivers State; Alaoji PHCN, Abia State; Shared Power to Egbin PHCN, Lagos State; Sapele PHCN, Delta State; Korean Abuja IPP; Korean Kaduna IPP and the industrial sector.

--Addax PSC: 2008 is 0; 2013 is 160. Dedicated Power to Egbema NIPP, Imo State; Calabar NIPP Plant, Cross Rivers Sate.

¶14. (SBU) COMMENT: The Minister of Gas welcomes technical support from the U.S., on moving forward with domestic allocations for power and industrial use, pricing, and other issues (See septel for report of Ambassador's September 25 meeting with MOS Odisina). The gas section of the present overall energy ministry has a relatively small staff and is being supported, in part, by the Nigerian National Petroleum Corporation (NNPC). This is a problem in that the Minister has no transparency in the work and model(s) being developed as well as the fact the NNPC is scheduled to begin reorganization at the end of this calendar year. The Minister would like independent support in gas and environment (impact mitigation on flaring), gas economics, pipeline distribution, exploration, the next step in implementing the liquefied petroleum gas (LPG) sector policy and regulatory framework (USTDA project) for the domestic market to reduce wood fires and kerosene, and policy framework with the GON's Department of Petroleum Resources. The Power Ministry has listened to and implemented many suggestions from the Mission and USG in the development and ongoing repair of their electricity sector and the MOS for Gas is eager to formulate and put in play more rational and effective policies for his sub-sector. END COMMENT.

SANDERS